



## Senate

General Assembly

**File No. 86**

January Session, 2007

Substitute Senate Bill No. 1213

*Senate, March 20, 2007*

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### **AN ACT CONCERNING THE FINANCIAL SECURITY REQUIREMENT FOR PREFERRED PROVIDER NETWORKS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (i) of section 38a-479aa of the general statutes  
2 is repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2007*):

4 (i) Each preferred provider network shall maintain or arrange for a  
5 letter of credit, bond, surety, reinsurance, reserve or other financial  
6 security acceptable to the commissioner in an amount not to exceed  
7 one million dollars for the exclusive use of paying any outstanding  
8 amounts owed participating providers in the event of insolvency or  
9 nonpayment except that any remaining security may be used for the  
10 purpose of reimbursing managed care organizations in accordance  
11 with subsection (b) of section 38a-479bb. Such outstanding amount  
12 shall be at least an amount equal to the greater of (1) an amount  
13 calculated on the basis of the two quarters within the past year with  
14 the greatest amounts owed by the preferred provider network to

15 participating providers, (2) the actual outstanding amount owed by the  
16 preferred provider network to participating providers, or (3) another  
17 amount determined by the commissioner. Such amount may be  
18 credited against the preferred provider network's minimum net worth  
19 requirements set forth in subsection (h) of this section. The  
20 commissioner shall review such security amount and calculation on a  
21 quarterly basis.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2007	38a-479aa(i)

**INS**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

This bill alters the amounts of financial security required for preferred provider networks, and has no fiscal impact.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****sSB 1213*****AN ACT CONCERNING THE FINANCIAL SECURITY  
REQUIREMENT FOR PREFERRED PROVIDER NETWORKS.*****SUMMARY:**

The bill caps at \$1 million the amount of financial security preferred provider networks (PPNs) and managed care organizations (MCOs) that contract with PPNs must post, maintain, or arrange for by letter of credit, bond, surety, reinsurance, reserve, or other means. By law, the insurance commissioner sets the amount based on the outstanding debt owed network providers in the event of insolvency or nonpayment.

EFFECTIVE DATE: July 1, 2007

**PPN AND MCO FINANCIAL SECURITY**

By law, the insurance commissioner licenses and regulates PPNs. Under the bill, PPNs must still maintain financial security in an amount at least equal to the greater of (1) an amount calculated on the basis of the two quarters within the past year with the greatest amounts the network owed to participating providers, (2) the actual outstanding debt owed providers, or (3) another amount determined by the commissioner. The amount may be credited against the network's minimum net worth requirement, and the insurance commissioner must review the amount and the calculation on a quarterly basis.

MCOs that contract with a PPN also must post or maintain the security or require the PPN to post or maintain it. The amount is calculated in the same manner as for PPNs. In the event of insolvency or nonpayment, the PPN or another entity designated by the commissioner must use the security to pay any outstanding debt owed

providers. Any remaining balance may be used to reimburse the MCO for payments it may have made to providers on behalf of the network.

## **BACKGROUND**

### ***PPN Definition***

By law, a PPN is an entity that pays claims for the delivery of health care services; accepts the financial risk for the delivery of those services; and establishes, operates, or maintains an arrangement or contract with health care providers relating to (1) health care services they provide and (2) compensation for such services. It excludes MCOs; workers' compensation preferred provider organizations; individual practice associations or physician hospital associations whose primary function is to contract with insurers and provide services to providers; and licensed clinical laboratories whose primary payments are made to other licensed laboratories or for associated pathology services.

## **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea    17        Nay   1        (03/06/2007)